

CITY OF LAMONI  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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City of Lamoni

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
James Hammer	Mayor	Jan 2006
Janelle Anders	Council Member/Mayor Pro tem	Jan 2006
Mark Ballantyne	Council Member	Jan 2006
Steve Murdock	Council Member	Jan 2004
Roger Potts	Council Member	Jan 2004
Ted Smith	Council Member	Jan 2006
(After January 2004)		
James Hammer	Mayor	Jan 2006
Janelle Anders	Council Member/Mayor Pro tem	Jan 2006
Mark Ballantyne	Council Member	Jan 2006
Steve Murdock	Council Member	Jan 2008
Roger Potts	Council Member	Jan 2008
Ted Smith	Council Member	Jan 2006
Deanna Ballantyne	City Clerk/Administrator/Treasurer	Jan 2006
Susan Larson	Deputy Clerk	Jan 2006
Robert Rolfe	Attorney	Jan 2006

City of Lamoni

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lamoni's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lamoni as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 17, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2004 on our consideration of the City of Lamoni's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's

analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Budgetary comparison information on pages 22 through 23 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 26, 2004  
Ames, Iowa

City of Lamoni

## Basic Financial Statements



## City of Lamoni

## Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
		Program Receipts		
		Operating Grants, Contributions, and Restrictcd Interest	Capital Grants, Contributions and Restricted Interest	
	Charges for			Total
	Service			Governmental
	Disbursements			Activities
Functions /Programs:				
Governmental activitie s:				
Public safety	\$ 253,426	18,118	6,270	(229,038)
Public works	373,860	142,609	248,859	17,608
Culture and recreation	232,608	35,506	32,838	(164,264)
Community and eco nomic devel opment	47,938	1,915	50	(45,973)
General government	138,504	-	-	(138,504)
Debt service	122,947	-	-	(122,947)
Capital projects	39,103	-	-	27,357
Total governmental activiti es	1,208,386	198,148	288,017	(655,761)
Total	\$ 1,208,386	198,148	288,017	(655,761)
General Receipts:				
Property tax levied for:				
General purposes				277,785
Employee benefits				98,854
Debt service				94,007
Tax increment financing				30,214
Mobile home				670
Franchise tax				5,579
Local option sales tax				96,196
Unrestricted interest on investments				1,287
Rent				13,945
Miscellaneous				3,056
Total general receipts				621,593
Change in cash basis net assets				(34,168)
Cash basis net assets beginning of year				324,453
Cash basis net assets end of year				\$ 290,285
Cash Basis Net Assets				
Restricted:				
Streets				\$ 91,564
Local option sales tax				154,483
Debt service				(10,902)
Other purposes				58,245
Unrestricted				(3,105)
Total cash basis net assets				\$ 290,285

See notes to financial statements.

City of Lamoni

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2004

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Debt Service
Receipts:				
Property tax	\$ 277,785	-	-	94,007
Tax increment financing collections	-	-	-	-
Other city tax	5,934	-	96,196	-
Licenses and permits	4,340	-	-	-
Use of money and property	15,232	-	-	-
Intergovernmental	46,114	203,555	-	-
Charges for service	151,651	-	-	-
Miscellaneous	47,314	-	-	-
Total receipts	548,370	203,555	96,196	94,007
Disbursements:				
Operating:				
Public safety	190,330	-	28,664	-
Public works	161,275	201,850	-	-
Culture and recreation	178,594	-	1,479	-
Community and economic development	12,241	-	-	-
General government	130,938	-	-	-
Debt service	-	-	-	122,947
Capital projects	-	-	-	-
Total disbursements	673,378	201,850	30,143	122,947
Excess (deficiency) of receipts over (under) disbursements	(125,008)	1,705	66,053	(28,940)
Other financing sources (uses):				
Operating transfers in	10,000	-	-	25,000
Operating transfers out	-	-	(35,000)	-
Total other financing sources (uses)	10,000	-	(35,000)	25,000
Net change in cash balances	(115,008)	1,705	31,053	(3,940)
Cash balances beginning of year	139,160	89,859	123,430	(6,962)
Cash balances end of year	\$ 24,152	91,564	154,483	(10,902)
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	(10,902)
Unreserved:				
General fund	24,152	-	-	-
Special revenue funds	-	91,564	154,483	-
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 24,152	91,564	154,483	(10,902)

See notes to financial statements.

Other Nonmajor Governmental Funds	Total
98,854	470,646
30,214	30,214
-	102,130
-	4,340
165	15,397
23,124	272,793
-	151,651
79,733	127,047
<u>232,090</u>	<u>1,174,218</u>
34,432	253,426
10,735	373,860
52,535	232,608
35,697	47,938
7,566	138,504
-	122,947
39,103	39,103
<u>180,068</u>	<u>1,208,386</u>
<u>52,022</u>	<u>(34,168)</u>
10,000	45,000
<u>(10,000)</u>	<u>(45,000)</u>
-	-
52,022	(34,168)
<u>(21,034)</u>	<u>324,453</u>
<u>30,988</u>	<u>290,285</u>
-	(10,902)
-	24,152
47,618	293,665
(27,257)	(27,257)
10,627	10,627
<u>30,988</u>	<u>290,285</u>

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City of Lamoni

City of Lamoni  
Notes to Financial Statements  
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Lamoni Municipal Utilities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Lamoni (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Lamoni Municipal Utilities – Enterprise Fund

The Council of the City of Lamoni governs Lamoni Municipal Utilities. An audit of the accrual basis financial statements was performed on the Lamoni Municipal Utilities for the year ended December 31, 2003. No portion of the financial information for the year ended December 31, 2003, nor the six months ended June 30, 2004, has been included in these financial statements. A copy of the Utilities' audited financial statements may be obtained from the Utilities' office.

### Jointly Governed Organizations

The City participates in one jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. A City official is a member of the County Emergency Management Commission.

### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for public safety and culture and recreation funded by local option monies.

The Road Use Tax Fund is used to account for street maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

C. Measurement Focus and Basis of Accounting

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the community and economic development and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004 are as follows:

Type	Carrying Amount	Fair Value
EE bonds	\$ 275	275

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	Street Improvement Notes		Water Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 60,000	25,737	12,000	10,138	72,000	35,875
2006	60,000	22,588	13,000	9,677	73,000	32,265
2007	65,000	19,407	13,000	9,178	78,000	28,585
2008	65,000	15,930	14,000	8,678	79,000	24,608
2009	70,000	12,420	14,000	8,141	84,000	20,561
2010-2014	155,000	13,085	80,000	32,102	235,000	45,187
2015-2019	-	-	96,000	15,590	96,000	15,590
2020	-	-	22,000	845	22,000	845
Total	\$475,000	109,167	264,000	94,349	739,000	203,516

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are in the amount of \$125,000 and payable over ten years. The bond agreement states that the issue is limited to the ten-year period or \$125,000. The principal amount due each year is calculated on the amount of incremental taxes collected for that year. The balance of the bonds outstanding at June 30, 2004 was \$25,816. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

On March 1, 2001 the City issued \$298,000 in general obligation bonds. The City's component unit (Lamoni Municipal Utilities) received the proceeds and has been making the payments directly to Iowa Department of Natural Resources from their Enterprise Fund. However, the Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. The debt is the sole responsibility of the City of Lamoni because it is a general obligation of the City.

#### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the



contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$18,875, \$18,027 and \$17,883, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, personal, and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave, personal and compensatory time termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 5,651
Sick leave	23,903
Personal	1,647
Compensatory time	<u>2,843</u>
Total	<u><u>\$ 34,044</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Commitment – Colony Housing Authority

In December 1979, the city entered into an agreement with Colony Housing Authority (CHA) of Lamoni whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2004 is \$98,500.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Library Building	<u>\$ 10,000</u>
Debt Service	Special Revenue: Local Option Sales Tax	<u>25,000</u>
Capital Projects: Recreation Trail	Special Revenue: Local Option Sales Tax	<u>10,000</u>
Total		<u><u>\$ 45,000</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Notes Payable – Governmental Fund Types

The City is indebted to the Iowa Department of Economic Development in the amount of \$3,254. The note is from the Iowa Community and Rural Development Loan Program (CORDLAP). The note is due in annual installments of \$3,254 including interest at 3 percent per annum. Final payment is due January 4, 2005.

On April 12, 2002, the City entered in to a loan agreement with the Iowa Department of Transportation out of the Aviation Hangar Revolving Loan Fund (HRLF) Program. The loan was issued for improvements at the Lamoni Municipal Airport consisting of renovating the hangar to increase available space from 7 units to 14. The loan is a ten year 3 percent loan in the amount of \$40,000. Future payments on the loan are as follows:

	Principal	Interest
2005	\$ 3,702	\$ 988
2006	3,813	876
2007	3,927	762
2008	4,045	644
2009	4,166	523
2010	4,291	398
2011	4,420	269
2012	4,553	137
	<u>\$ 32,917</u>	<u>\$ 4,597</u>

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,558 during the year ended June 30, 2004. The City also had business transactions with Lamoni Municipal Utilities totaling \$55,176.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Economic Development

In June of 1994, the City approved the issuance of an Urban Renewal Tax Increment Financing Bond in the amount of \$125,000 for A-Z Manufacturing Company. The City also authorized an Economic Development Grant to A-Z Manufacturing Company in connection with the company's development of an expanded facility in the Lamoni Urban Renewal Area. The grant was in the form of a Bond, where the Company is

entitled to receive as principal payments on the Bond all incremental property taxes paid by the company for a period of ten years. The City also must pay the Company an amount equal to a five year rebate of City taxes based on a declining scale of a 75%, 60%, 45%, 30%, and 15% rebate for the five years.

On June 20, 1996, the City entered into a Community Economic Betterment Account (CEBA) loan agreement with the Iowa Department of Economic Development (IDED) and Industrial Hardsurfacing, Inc. (IHI). The entire loan consists of two loans, one in the amount of \$88,088 for ten years at zero percent interest and one in the amount of \$105,512 for five years at six percent interest. The entire loan proceeds of \$193,600 were received by the City and advanced to IHI. In the event the City or IHI defaults on the conditions set forth in the loan agreement, the loan will become immediately due. The City's liability for repayment of this note to the IDED is limited to those amounts the City collects through its good faith enforcement of the security interest which secures its loan to IHI.

#### (12) Wayne, Ringgold, and Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne, Ringgold, and Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction.

The Commission may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City has an ongoing financial obligation.

Completed financial statements for the Commission can be obtained from the Commission.

#### (13) Leases

The City leases out the Welcome Center, gift shop, and storage space to private individuals. The city is also a party to various small leases for hangars at the airport, hayground, and pasture rental. The amounts received under these leases are all immaterial.

#### (14) Development Agreements

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. where the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property.

On April 10, 2003, the City entered into a development agreement with Southern Iowa Building Center, Inc. where the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2004 and continuing through and including June 1, 2014. The tax payments shall not

constitute general obligations of the City but shall be paid solely and only from incremental property taxes received by the City.

(15) Deficit Fund Balance

The Capital Projects, Recreation Trail Fund had a deficit balance of \$29,270 at June 30, 2004. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated by a transfer in the next fiscal year.

The Debt Service Fund had a deficit balance of \$10,902 at June 30, 2004. The deficit balance was a result of maturities of debt. The deficit will be eliminated through a transfer and through receipt of property taxes.

The Special Revenue Funds, Library Vision Iowa, Police Grant, and Fire Department Grant had deficit balances at June 30, 2004 of \$2,357, \$20, and \$500, respectively. The deficits will be eliminated upon transfers from the General Fund.

(16) Subsequent Events

In June 2004, the City approved issuance of \$300,000 of general obligation capital loan notes for a new fire station. As of June 30, 2004 none were issued or outstanding.

(17) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

## Required Supplementary Information

City of Lamoni  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
Receipts:				
Property tax	\$ 470,646	480,953	480,953	(10,307)
Tax increment financing collections	30,214	33,000	33,000	(2,786)
Other city tax	102,130	78,700	98,700	3,430
Licenses and permits	4,340	4,040	4,040	300
Use of money and property	15,397	17,400	17,400	(2,003)
Intergovernmental	272,793	272,057	332,557	(59,764)
Charges for service	151,651	185,510	185,510	(33,859)
Miscellaneous	127,047	9,250	39,250	87,797
Total receipts	1,174,218	1,080,910	1,191,410	(17,192)
Disbursements:				
Public safety	253,426	232,374	259,374	5,948
Public works	373,860	352,820	399,820	25,960
Culture and recreation	232,608	220,028	255,028	22,420
Community and economic development	47,938	12,600	20,100	(27,838)
General government	138,504	141,139	141,139	2,635
Debt service	122,947	155,949	155,949	33,002
Capital projects	39,103	-	20,000	(19,103)
Total disbursements	1,208,386	1,114,910	1,251,410	43,024
Deficiency of receipts under disbursements	(34,168)	(34,000)	(60,000)	25,832
Balances beginning of year	324,453	396,005	324,453	-
Balances end of year	\$ 290,285	362,005	264,453	25,832

See accompanying independent auditors' report.

City of Lamoni

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts and disbursements by \$110,500 and \$136,500, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the community and economic development and capital projects functions.

## Other Supplementary Information



City of Lamoni

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue			
	Employee Benefits	Community Center/ Elliott Trust	Library Memorial	Library Book Trust
Receipts:				
Property tax	\$ 98,854	-	-	-
Tax increment financing collections	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	1,368
Miscellaneous	-	-	136	4,836
Total receipts	98,854	-	136	6,204
Disbursements:				
Operating:				
Public safety	14,960	-	-	-
Public works	9,850	-	-	-
Culture and recreation	10,186	-	723	3,043
Community and economic development	465	-	-	-
General government	7,566	-	-	-
Capital projects	-	-	-	-
Total disbursements	43,027	-	723	3,043
Excess (deficiency) of receipts over (under) disbursements	55,827	-	(587)	3,161
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	55,827	-	(587)	3,161
Cash balances beginning of year	(53,222)	875	2,861	845
Cash balances end of year	\$ 2,605	875	2,274	4,006
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 2,605	875	2,274	4,006
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 2,605	875	2,274	4,006

See accompanying independent auditors' report.

Special Revenue								
Bi-Centennial Trust	DARE Program	Library Vision Iowa	Fire Department ROCCS Grant	Bjorland Development	Welcome Center	Fire Department LMS	Reese Development	Library Building
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	250	15,984	1,800	10,000	50	-	-	-
-	250	15,984	1,800	10,000	50	-	-	-
-	189	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	18,341	-	-	-	-	-	836
-	-	-	-	7,500	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	189	18,341	-	7,500	-	-	-	836
-	61	(2,357)	1,800	2,500	50	-	-	(836)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(10,000)
-	-	-	-	-	-	-	-	(10,000)
-	61	(2,357)	1,800	2,500	50	-	-	(10,836)
296	796	-	-	-	-	500	2,000	25,660
296	857	(2,357)	1,800	2,500	50	500	2,000	14,824
296	857	(2,357)	1,800	2,500	50	500	2,000	14,824
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
296	857	(2,357)	1,800	2,500	50	500	2,000	14,824

City of Lamoni

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue					
	EMS	Airport Beacon	Historic Tours	North Park Betterment	CDBG Real Estate Trust	Caboose Renovation Trust
Receipts:						
Property tax	\$ -	-	-	-	-	-
Tax increment financing collections	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Miscellaneous	200	885	-	13,000	-	-
Total receipts	200	885	-	13,000	-	-
Disbursements:						
Operating:						
Public safety	-	-	-	-	-	-
Public works	-	885	-	-	-	-
Culture and recreation	-	-	-	12,385	-	138
Community and economic development	-	-	-	-	-	-
General government	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	-	885	-	12,385	-	138
Excess (deficiency) of receipts over (under) disbursements	200	-	-	615	-	(138)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in cash balances	200	-	-	615	-	(138)
Cash balances beginning of year	-	-	283	-	1,503	236
Cash balances end of year	\$ 200	-	283	615	1,503	98
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 200	-	283	615	1,503	98
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 200	-	283	615	1,503	98

Special Revenue								
Airport Trust	Police Grant	Fire Department Grant	Trees Forever	Parks-Harrington	Park Benches	Youth Fund	Police Computer	Little League
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	4,020	-	-	-	690	-	-	2,000
-	4,020	-	-	-	690	-	-	2,000
-	4,020	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	690	-	-	4,045
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	4,020	-	-	-	690	-	-	4,045
-	-	-	-	-	-	-	-	(2,045)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(2,045)
1,198	(20)	(500)	41	702	-	125	2,305	2,312
1,198	(20)	(500)	41	702	-	125	2,305	267
1,198	(20)	(500)	41	702	-	125	2,305	267
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,198	(20)	(500)	41	702	-	125	2,305	267

City of Lamoni

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue		
	Fire Department Building	Recreation/ Special Events	Redbud Tree Grant
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Miscellaneous	19,204	-	4,178
Total receipts	19,204	-	4,178
Disbursements:			
Operating:			
Public safety	15,263	-	-
Public works	-	-	-
Culture and recreation	-	-	2,148
Community and economic development	-	-	-
General government	-	-	-
Capital projects	-	-	-
Total disbursements	15,263	-	2,148
Excess (deficiency) of receipts over (under) disbursements	3,941	-	2,030
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in cash balances	3,941	-	2,030
Cash balances beginning of year	3,942	206	(2,030)
Cash balances end of year	\$ 7,883	206	-
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 7,883	206	-
Capital projects funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 7,883	206	-

Special Revenue	Capital Projects	Permanent		
Tax		Jeffries		
Increment	Recreation	Library		
Financing	Trail	Memorial	Total	
-	-	-	98,854	
30,214	-	-	30,214	
-	-	165	165	
-	21,756	-	23,124	
-	2,500	-	79,733	
30,214	24,256	165	232,090	
-	-	-	34,432	
-	-	-	10,735	
-	-	-	52,535	
27,732	-	-	35,697	
-	-	-	7,566	
-	39,103	-	39,103	
27,732	39,103	-	180,068	
2,482	(14,847)	-	52,022	
-	10,000	-	10,000	
-	-	-	(10,000)	
-	10,000	-	-	
2,482	(4,847)	-	52,022	
-	(24,423)	2,013	10,462	(21,034)
2,482	(29,270)	2,013	10,627	30,988
2,482	-	-	47,618	
-	(29,270)	2,013	(27,257)	
-	-	-	10,627	10,627
2,482	(29,270)	2,013	10,627	30,988

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City of Lamoni  
Schedule of Indebtedness  
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation:			
Street improvement notes	Dec. 1, 2000	5.20 - 5.60%	\$ 530,000
Water improvement bonds	Mar. 1, 2001	3.84%	298,000
Total			
Urban renewal tax increment financing			
(TIF) urban renewal bond	Jun. 9, 1994	N/A	\$ 125,000
Other debt:			
Airport loan	Apr. 12, 2002	3.00%	\$ 40,000
Crown colony contract	Oct. 1, 1980	N/A	240,000
Iowa department of economic development:			
CORDLAP loan	Jan. 1, 1991	3.00%	40,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
530,000	-	55,000	475,000	28,598	-
276,000		12,000	264,000	10,598	-
<u>\$ 806,000</u>	<u>-</u>	<u>67,000</u>	<u>739,000</u>	<u>39,196</u>	<u>-</u>
35,997	-	10,181	25,816	-	-
36,511	-	3,594	32,917	1,095	-
104,500	-	6,000	98,500	-	-
6,412	-	3,158	3,254	192	-
<u>\$ 147,423</u>	<u>-</u>	<u>12,752</u>	<u>134,671</u>	<u>1,287</u>	<u>-</u>



City of Lamoni  
Bond and Note Maturities  
June 30, 2004

Other Debt								
Year Ending June 30,	Crown Colony Contract		CORDLAP Loan		Airport Loan			
	Issued Oct. 1, 1980		Issued Jan. 1, 1991		Issued Apr. 12, 2002			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
2005	N/A	\$ 6,000	3.00%	\$ 3,254	3.00%	\$ 3,702	\$ 12,956	
2006		6,000		-	3.00	3,813	9,813	
2007		6,000		-	3.00	3,927	9,927	
2008		6,000		-	3.00	4,045	10,045	
2009		6,000		-	3.00	4,166	10,166	
2010		6,000		-	3.00	4,291	10,291	
2011		6,000		-	3.00	4,420	10,420	
2012		6,000		-	3.00	4,553	10,553	
2013		6,000		-		-	6,000	
2014		6,000		-		-	6,000	
2015		6,000		-		-	6,000	
2016		6,000		-		-	6,000	
2017		6,000		-		-	6,000	
2018		6,000		-		-	6,000	
2019		6,000		-		-	6,000	
2020		6,000		-		-	6,000	
2021		2,500		-		-	2,500	
Total		<u>\$ 98,500</u>		<u>\$ 3,254</u>		<u>\$ 32,917</u>	<u>\$134,671</u>	

  

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF)		General Obligation Bonds and Notes					
	Issued June 9, 1994		Street Improvement		Water Improvement			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
2005	N/A	**	5.25%	\$ 60,000	3.84%	\$ 12,000	\$ 72,000	
2006		-	5.30	60,000	3.84	13,000	73,000	
2007		-	5.35	65,000	3.84	13,000	78,000	
2008		-	5.40	65,000	3.84	14,000	79,000	
2009		-	5.45	70,000	3.84	14,000	84,000	
2010		-	5.50	75,000	3.84	15,000	90,000	
2011		-	5.60	80,000	3.84	15,000	95,000	
2012		-		-	3.84	16,000	16,000	
2013		-		-	3.84	17,000	17,000	
2014		-		-	3.84	17,000	17,000	
2015		-		-	3.84	18,000	18,000	
2016		-		-	3.84	18,000	18,000	
2017		-		-	3.84	19,000	19,000	
2018		-		-	3.84	20,000	20,000	
2019		-		-	3.84	21,000	21,000	
2020		-		-	3.84	22,000	22,000	
Total		<u>\$ -</u>		<u>\$475,000</u>		<u>\$264,000</u>	<u>\$739,000</u>	

\*\* The TIF Urban Renewal Bond payments are based on the taxes that are paid in the TIF zone. Therefore, the amount of the payments are not readily determinable due to the unknown amounts that will be paid in for taxes. The balance of the bonds outstanding at June 30, 2004, was \$25,816.

See accompanying independent auditors' report.

## City of Lamoni

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Year

	<u>2004</u>
Receipts:	
Property tax	\$ 470,646
Tax increment financing collections	30,214
Other city tax	102,130
Licenses and permits	4,340
Use of money and property	15,397
Intergovernmental	272,793
Charges for service	151,651
Miscellaneous	<u>127,047</u>
Total	<u><u>\$ 1,174,218</u></u>
Disbursements:	
Operating:	
Public safety	\$ 253,426
Public works	373,860
Culture and recreation	232,608
Community and economic development	47,938
General government	138,504
Debt service	122,947
Capital projects	<u>39,103</u>
Total	<u><u>\$ 1,208,386</u></u>

See accompanying independent auditors' report.

City of Lamoni

# CLINE, DeVRIES & ALLEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Lamoni, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 26, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items III-B-04, III-E-04 and III-I-04.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lamoni's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Lamoni's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lamoni and other parties to whom the City of Lamoni may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

July 26, 2004  
Ames, Iowa

City of Lamoni

Schedule of Findings

Year ended June 30, 3004

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including one material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Lamoni

Schedule of Findings

Year ended June 30, 3004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-04 Invoices – Invoices were not properly cancelled to prevent reuse.

Recommendation – Invoices should be cancelled in the future.

Response – We will do so.

Conclusion – Response acknowledged.

City of Lamoni

Schedule of Findings

Year ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting:

III-A-04 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the community and economic development and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-04 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mark Ballantyne, Council Member, Owner of Mark's Auto Service	Repairs and services	\$ 1,436
Tailored Threads, Owned by spouse of Mayor	Services and supplies	122

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the above individuals do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

III-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.



- III-G-04 Council Minutes – One transaction was found that we believe should have been approved in the Council minutes but was not. A disbursement for insurance was not approved by Council.

Recommendation – The Council should approve all disbursements.

Response – We will do so.

Conclusion – Response accepted.

- III-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

- III-I-04 Financial Condition – The Capital Projects, Recreation Trail Fund had a deficit balance at June 30, 2004 of \$29,270. The Debt Service Fund had a deficit balance at June 30, 2004 of \$10,902. Also, the Special Revenue Funds, Library Vision Iowa, Police Grant, and Fire Department Grant, had deficit balances at June 30, 2004 of \$2,357, \$20, and \$500, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.

- III-J-04 Code of Ordinances – The City's code of ordinances has not been maintained as required by Chapter 380.8 of the Code of Iowa.

Recommendation – The City should compile the code of ordinances to bring it into compliance with Chapter 380.8 of the Code of Iowa.

Response – We are in the process of compiling the code of ordinances.

Conclusion – Response accepted.

- III-K-04 Debt Service Fund – Payments from the Debt Service Fund were not limited to the purposes set forth in Chapter 384.4 of the Code of Iowa. Certain general obligation bond payments were not made from the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa. A portion of the taxes levied for debt service purposes were not recorded in the Debt Service Fund.

Recommendation – In the future, debt payments made from the Debt Service Fund shall only be for general obligation debt or those required to be paid from the Debt Service Fund under a loan agreement. In addition, payments on the City's general obligation debt should be made from the Debt Service Fund. Lastly, tax receipts for debt service purposes should be recorded in the Debt Service Fund.

Response – We will do so.

Conclusion – Response accepted.

III-L-04 Compensated Absences – The City withheld IPERS on a check paid to an employee for built up vacation and sick time upon separation from the City. Per GASB 16, this lump sum payment should not be subject to IPERS.

Recommendation – The City should not withhold IPERS on lump sum payments to employees for compensated absences upon separation from the City.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

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